



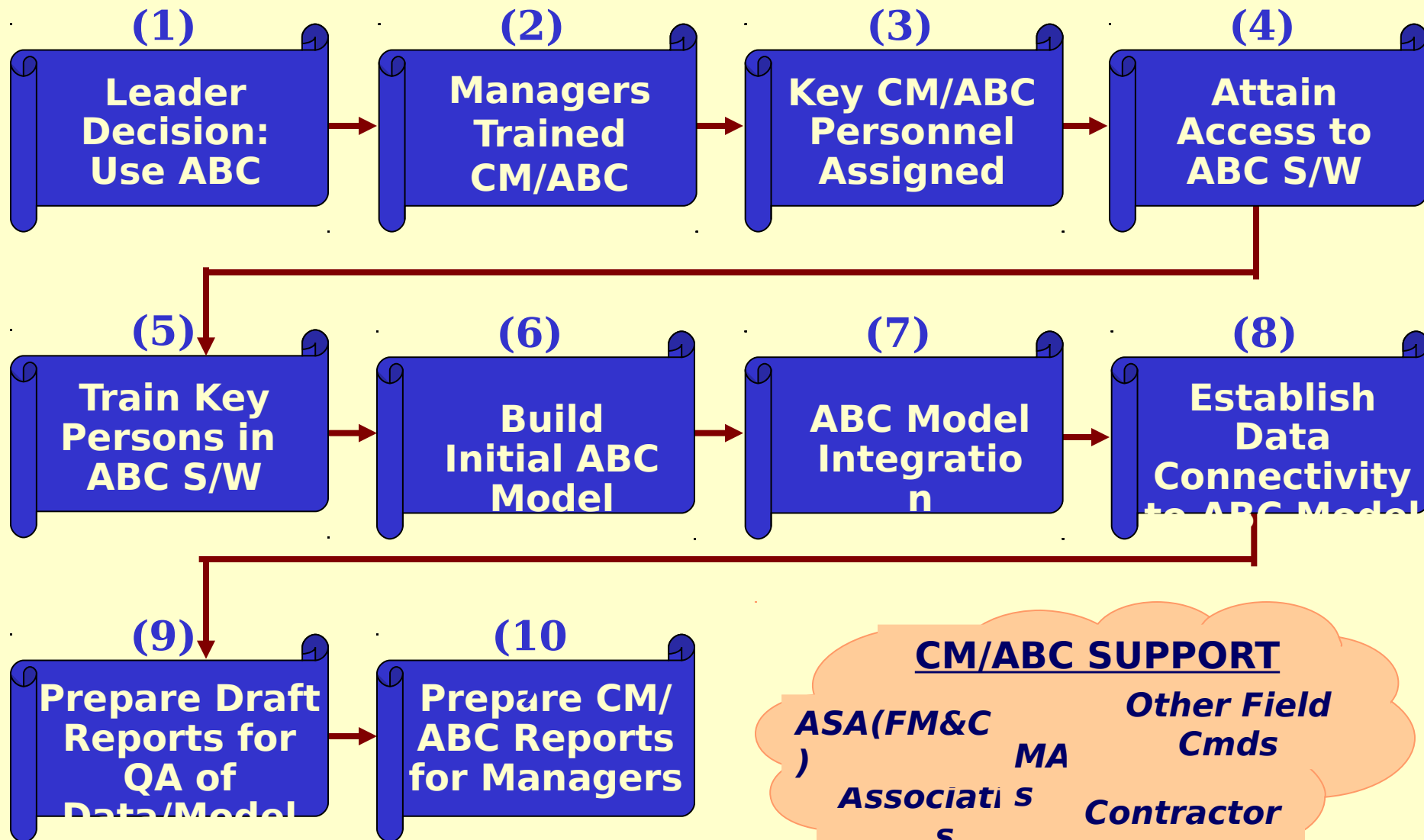
STEPS TO ACHIEVE A FULLY OPERATIONAL CM/ABC PROGRAM

***Army Goal is to
Establish a
Program
to Improve
Cost Management
to Support
Army Warfighters***





10 STEPS TO A CM/ABC PROGRAM



NOTE: Order of Occurrence Among Steps 2 - 5 not Important



(1)

Leader Decision: Use ABC

1. Leader contemplates “What do I need to know?”

- What it Actually Costs us to Provide Each Service?
- Which Activities Need to be Improved? ... How?
- Where & How can We Cut Costs w/o Affecting Our Mission?
- Where & How are our Indirect Costs being Expended?

2. Schedule CM/ABC Training for Managers

3. Identify Resources for CM/ABC Team

- Business Manager (familiar w/ Operations)
 - ABC Modeler(s) Considering Backup needed
 - Plan for Data Input to ABC Model
- Why? ... ABC supports Cost Management, Informing Mgrs on Where Resources are Expended

4. Leadership Meeting

- Align Operations to Mission & Strategic Plan
- Review Work Activities
- Review Performance Measures



(2)

Managers Trained CM/ABC



- 1. Managers attend CM/ABC Course (typically 1 or 2 days)**
 - **Directors; Managers; Supervisors**
- 2. Executive Manager Identify Strategic Outputs & Outcomes**
- 3. Managers Are Part of CM/ABC Team to:**
 - **Identify Key Cost Objects, Work Activities, and Resources for ABC Model**
 - **Identify Resource and Activity Drivers and Driver Quantities**
 - **Identify Attributes Required to generate Reports with Relevant Managerial Information**
- 4. Managers review ABC Model to ensure it:**
 - **Reflects Actual Operations**
 - **Includes all Significant Costs (Direct & Indirect)**



(3)

Key CM/ABC Personnel Assigned

1. Commander/Director assigns:

- **Business Manager (Full Time)**

Sits-in Leadership

Has Quick Access to

Personable

Mtgs
Has Cmdr's Trust

Cdr
Credible

Knows Operations

- **Modeler (Full Time)**

Good PC

Familiar w/ Command Functions

Credible

Skills
Analytical Skills

Experienced w/ Funding

- **Data Systems Analyst (Initial Contractor Support)**

Data
Data System Skills

Familiar w/ Data Content

2. Best of the Best (Key Assets to Command)

3. ABC is a Tool, a Power Tool

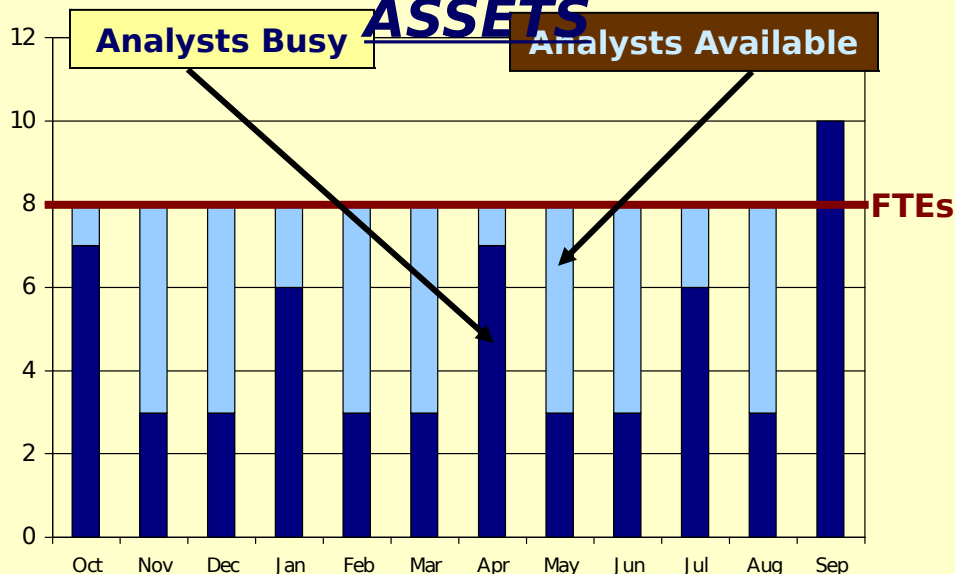
4. ABC Team provides Business Information to Command Mgrs



CHANGE TO A CM/ABC PROGRAM



USE OF EXISTING ASSETS



CURRENT SITUATION

1. Labor Intensive Data Efforts
2. Questionable Cost Data
3. Cost & Operations Separate Unlinked
4. Operations Expenditures Unknown
5. Performance Cannot be Measured

DEPLOY CM/ABC PROGRAM

1. Existing Resources are Available for ABC/M
2. ABC Software is a Power Tool
3. Operated by Best Personnel
4. All Managers Support/Benefit
5. Integrated by Business Manager

CM/ABC SITUATION

1. Use Existing Manpower
2. Accurate Cost Data
3. Believable Execution Status
4. Cost linked to Operations
5. Supports Performance Measures



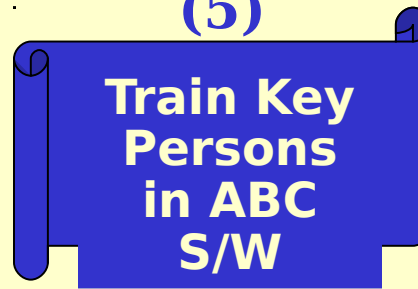
(4)

**Attain
Access to
ABC S/W**

- 1. OROS 5.5 Software has been Provided by ASA-FM**
- 2. SAS ABM 6.1 is Currently being Deployed**
 - **Web-based, Client-server**
 - **Requires Server w/ SQL Capabilities**
- 3. CM/ABC Training Available**
 - **ASA-FM; DAU; TRADOC; Contractors**
- 4. Information about CM/ABC Programs at other Organizations', Software Capabilities & Support, and Cost Initiatives are Provided by ASA-FM & Army MACOMs**



(5)



1. Key Personnel that require ABC Software Training are:

- **The Business Manager**
- **ABC Modelers**
- **Data Systems Analyst(s)**

2. Training for ABC Application Users

- **Classroom (typically 4 days)**
 - ✓ **CM/ABC Concepts (Resources-Activities-Output)**
 - ✓ **Use of ABC Application Software (OROS 5.5 or ABM 6.1)**
 - ✓ **Examples to Illustrate How to Use Models**
- **On-site Rapid Prototype (typically 4 days)**
 - ✓ **Process(es) of Current Organization Documented prior to RP Session**
 - ✓ **ABC Model Developed (Resources-Activities-Output)**
 - ✓ **Appropriate Managers, Business Manager, and Modelers All Participate in Model Build; Facilitated by**



(6)

Build Initial ABC Model



1. Personnel Required to Build/Upgrade ABC Model are

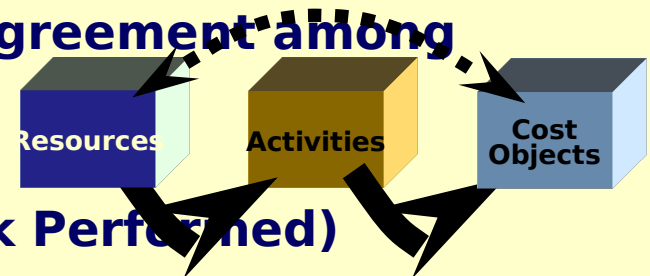
-

- Commander & Directors
- Command Business Manager Managers
- Data Systems Analysts
- Line Managers
- ABC Modelers

2. Learn Basic Concepts of CM/ABC (Typically 1/2 day)

3. Build ABC Model that Reflects Organization (about 4 days)

- IAW Existing Command Operations & Functions
- Key Elements of Model Require Agreement among Managers
- Identify Output (Cost Objects)
- Describe Key Activities (e.g. Work Performed) that Produce Output





(7)

ABC Model Integration



1. ABC Model Receives Input from All Managers -

- Financial
DOIM
- Personnel
- Line
PW
- Administrative
- Resource
- Service, Safety, etc.

2. ABC Data Reviewed -

- Supervisors for Completeness & Accuracy
- Managers Validate for their Division
- Directors Approve for Directorate

*Organization
names used as
examples, adapt
as needed.*

3. ABC Reports Prepared -

- By Business Manager for Each Command Level
(Branch -> Division -> Directorate -> Garrison)
1. Approved at Each Level prior to Reporting to Next Level

NOTE: ABC intended to support all levels of the organization for complete Cost Management



(8)

Establish Data Connectivity to ABC Model



1. ABC Model Receives Input from -

- Financial Sources
- Direct Labor Hours Sources
- Other Applicable Sources

2. ABC Data Reviewed -

- Supervisors for Completeness & Accuracy
- Business Manager for Timeliness (Expenditures tied to Activities)
- Managers Validate for their Division
- Directors Approve for Directorate

*Organization
names used as
examples, adapt
needed.*

3. ABC Reports Prepared -

- By Business Manager working with Each Command Level
(Branch -> Division -> Directorate -> Garrison)
- Approved at Each Level prior to Reporting to Next Level

NOTE: ABC intended to support all levels of the organization for complete Cost Management



(9)

Prepare Draft Reports for QA of Data/Model



1. QA data for -

- **Definitions**
- **Completeness**
- **Applicability**
- **Accuracy**
- **Timeliness**
- **Understanding**

2. Review Data Processed by Model for -

- **Integration of Resources, Activities, Output**
- **Integration of Direct and Indirect Costs**
- **Ensure All Costs accounted for**
- **Discoveries of Costs & Reasons**
- **ABC Brief preparation -**
 - **Modeler(s) prepare Data, Tables, & Charts**
 - **Business Manager prepares Business Presentation**
 - **Applicable Managers Review and Approve**



(10)

Prepare CM/ ABC Reports for Managers



- 1. ABC Results Briefed up the Organization -**
(Supvsrs -> Managers -> Directors -> Commander)
- 2. ABC Brief presented by Managers to Next Level Up -**
 - **Business Manager coordinates w/ Commander & Deputy**
 - **Business Manager establishes Briefing Structure based on**
 -
 - ✓ Commander Expectations
 - ✓ IMA & Region Requirements
 - **Modeler(s) prepare Tables and Charts**
 - **Business Manager coordinates w/ all Managers to:**
 - ✓ Validate Data (accuracy, clarity, consistency)
 - ✓ Ensure Business Information in brief is Clear and Accurate
- 3. Business Manager coordinates w/ other Commands**

*Organization
names used as
examples, adapt
as needed.*

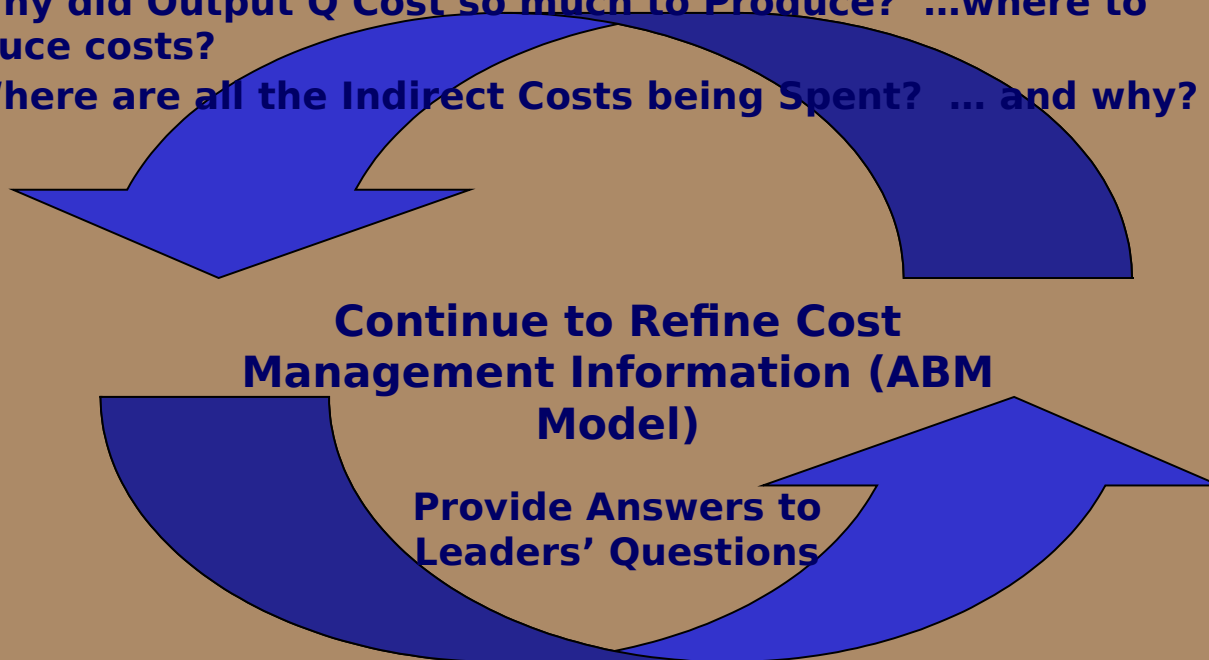


OPERATIONAL CM/ABC PROGRAM



Leaders Ask Questions:

- What is the Total Cost to provide Service X? Can we do this Cheaper?
- Which Alternative Saves us the Most Money or Resources?
- Which Activity can be Changed to Reduce Cost/Improve Performance?
- Why did Output Q Cost so much to Produce? ...where to reduce costs?
- Where are all the Indirect Costs being Spent? ... and why?



Everyone in Organization Responds Openly with Information & Ideas:

"CM/ABC CULTURE IN PLACE"